

Message Text

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SUBJ: AGRIBUSINESS COUNCIL INVESTMENT MISSION PROGRAM

REF: A) STATE 244875

1. SUMMARY: AGRIBUSINESS COUNCIL MET IN JAKARTA DURING WEEK OCT. 25-30 WITH HIGH LEVEL OFFICIALS OF GOI, INCLUDING PRESIDENT SUHARTO, PRESENTED NINE-STEP AGRICULTURAL INVESTMENT MISSION PROGRAM AND RECEIVED GENERAL APPROVAL TO PROCEED, STEP BY STEP, TO IMPLEMENT PROGRAM. END SUMMARY.

2. AGRIBUSINESS COUNCIL (ABC) PRESIDENT; KENNETH MUELLER AND SENIOR VICE PRESIDENT; HAROLD ARENSMEYER, ACCOMPANIED BY GRAHAM WILLIAMS OF OPIC AND REPRESENTATIVES OF TWO MEMBER COMPANIES OX ABC, VISITED JAKARTA OCT. 25-30 TO PRESENT THEIR PROPOSED AGRICULTURAL INVESTMENT MISSION TO HIGH GOI OFFICIALS AND GAIN THEIR SUPPORT FOR PROGRAM. VISIT WAS MADE AS RESULT OF SOLICITED INVITATION FROM GOI.

3. DURING CALLS ON MINISTER OF AGRICULTURE THOYIB AND CHAIRMAN OF THE CAPITAL INVESTMENT BOARD (BKPM), BARLI HALIM, TEAM GAVE STANDARDIZED PRESENTATION DESCRIBING UNCLASSIFIED

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PROPOSED INVESTMENT MISSION. THE MINISTER

REACTED WITH A GENERAL DISCUSSION OF THE GOVERNMENT'S PRIORITIES IN AGRICULTURE. (AT PREPARATORY MEETING TWO WEEKS EARLIER, HE HAD ENUMERATED SOME OF THE DISINCENTIVES TO FOREIGN INVESTMENT IN AGRICULTURE IN INDONESIA, WITH WHICH ABC SAID ITS MEMBERS COULD COPE.) MINISTER CONCLUDED THAT HE THOUGHT PROPOSED MISSION PROGRAM HAD POTENTIAL TO BENEFIT INDONESIA AND AGREED TO RECOMMEND THAT PRESIDENT SOEHARTO MEET WITH GROUP. HALIM ALSO APPROVED PROGRAM IN PRINCIPLE AND AGREED TO SUPPORT MINISTER'S RECOMMENDATION.

4. AT A TECHNICAL MEETING LATER IN THE WEEK, DISCUSSIONS FOCUSED ON ABC REQUEST THAT GOI FINANCE THE LOCAL COSTS OF THE NEXT STEP IN THE PROGRAM, DURING WHICH TECHNICAL LEVEL PEOPLE FROM THE ABC WILL COME TO INDONESIA TO DEVELOP PROFILES OF A NUMBER OF INVESTMENT PROJECTS WHICH CAN THEN BE PRESENTED TO THE ABC MEMBERSHIP. DISCUSSION OF SPECIFIC PROJECTS WAS DEFERRED UNTIL NEXT STEP.

5. MUELLER AND WILLIAMS, ACCOMPANIED BY AMBASSADOR AND DR. ALHAMBRA RACHMAN, CHIEF, BUREAU OF INVESTMENT OF THE DEPARTMENT OF AGRICULTURE, CALLED ON PRESIDENT OCT. 30. PRESIDENT SOEHARTO, AFTER GREETINGS, OUTLINED FOR MUELLER AND WILLIAMS CENTRAL AGRICULTURAL PROBLEMS OF SMALL ACREAGE AND SUBSISTANCE FARMING, NEED FOR FERTILIZER, AND NEED FOR DEVELOPMENT OF TRANSMIGRATION CENTERS IN OUTER ISLANDS. AMBASSADOR ASKED PRESIDENT WHAT AREAS HE SAW FOR PRIVATE FOREIGN INVESTMENT IN AGRICULTURE AND RELATED FIELDS. HE RESPONDED THAT FIRST PRIORITY WAS FOR INVESTMENT IN PROCESSING FOR EXPORT OF INDONESIAN AGRICULTURAL PRODUCTS. HE MENTIONED PLANS TO DEVELOP BATAM ISLAND NEAR SINGAPORE AS CENTER FOR PROCESSING OF AGRICULTURAL PRODUCTS. SECOND PRIORITY WAS PROCESSING PLANTS FOR FOREST PRODUCTS AND THIRD WAS FOR INVESTMENT IN DEVELOPMENT OF PALM OIL AND COCONUT PLANTATIONS. TIME AND CIRCUMSTANCES DID NOT PERMIT FURTHER INQUIRY INTO WHAT PRECISE CONDITIONS MIGHT SURROUND FOREIGN INVESTMENT IN THESE AREAS. AT CONCLUSION OF MEETING MUELLER PRESENTED PRESIDENT WITH ELABORATE BROCHURE SHOWING NINE STEPS BY WHICH AGRIBUSINESS COUNCIL HOPES TO IDENTIFY PROJECTS

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FOR EXAMINATION BY PRIVATE INVESTORS.

6. IN DISCUSSION WITH EMBOFFS AFTER DEPARTURE OF ABC TEAM, ALHAMBRA (WHOSE JOB IS TO ENCOURAGE INVESTMENT IN AGRICULTURE) EXPRESSED CAUTIOUS OPTIMISM ABOUT POSSIBLE RESULTS OF MISSION. HE WAS ESPECIALLY ENTHUSIASTIC ABOUT THE SECOND STEP OF THE PROGRAM, DURING WHICH HE FELT PROJECTS PROFILES WOULD BE

DEVELOPED THAT HE COULD USE TO INTEREST OTHER INVESTORS
EVEN IF THIS PROGRAM DID NOT RESULT IN INVESTMENT.
WITH RESPECT TO FINANCING THE LOCAL COSTS OF THE
NEXT STEP OF THE MISSION, ESTIMATED AT ABOUT
\$15,000, HE SAID THAT BKPM HAD AGREED THAT IT
COULD UTILIZE MONEY FROM ITS PROMOTION BUDGET, SUBJECT
TO BAPENNAS (CENTRAL PLANNING) APPROVAL. HE WAS
OPTIMISTIC THAT SUCH APPROVAL WOULD BE FORTHCOMING
BUT ANTICIPATED THAT IT WOULD BE AT LEAST TWO WEEKS BEFORE
HE COULD INFORM ABC THAT THE FINANCING WAS APPROVED.
ALHAMBRA POINTED OUT THAT HE HAD MADE CLEAR TO THE ABC
THAT THE GOI APPROVAL OF THE PROGRAM WAS AN AGREEMENT
TO PROCEED STEP BY STEP, AND THAT IF AT ANY TIME THE
GOI DECIDED THAT THE PROGRAM WAS NOT BENEFICIAL TO IT,
THEN IT COULD CANCEL THE REMAINING STEPS.

7. IN MEETINGS WITH AMBASSADOR AND OTHER EMBOFFS, ABC
TEAM WAS GIVEN FULL BRIEFING ON DOING BUSINESS IN
INDONESIA, WITH SPECIAL EMPHWSIS GIVEN TO SOME OF THE
DIFFICULTIES OFTEN ENCOUNTERED HERE. TEAM WAS SPECIFICALLY
ADVISED TO EXPECT DELAYS IN THEIR TIGHTLY STRUCTED
26 WEEK SCHEDULE. WHILE WE FULLY SUPPORT
OBJECTIVES OF MISSION, WE SUGGEST THAT ABC BROADEN ITS
PRESPECTIVE ON INDONESIA THROUGH INCREASED CONSULTATIONS
WITH PRIVATE COMPANIES WHICH ARE OR HAVE INVESTIGATED
DOING BUSINESS IN INDONESIA, INCLUDING ABC'S OWN MEMBERS
SUCH AS BANK OX AMERICA, CARGILL, FOREMOST, AND FMC.

8. MEETING WITH PRESIDENT CAME AFTER STRONG URGING BY
ABC AND AT VERY PRELIMINARY POINT IN ABC EFFORT. AS
OTHERS HAVE FOUND, SUCH MEETINGS DO NOT OBVIATE NECESSITY
FOR ANY PLAN TO PROCEED THROUGH NORMAL GOI CHANNELS. SINCE,
AT REQUEST MINISTER AGRICULTURE, AMBASSADOR ATTENDED MEETING
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AND, SINCE USG REPRESENTED THROUGH OPIC, IT IS IMPORTANT
THAT INITIAL ABC PROMOTION EFFORT BE FOLLOWED BY SOLID
EXMINATION OF ALL ASPECTS AGRI BUSINESS INVESTMENT.
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